
California Department of Water Resources



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DWR FILES REVENUE REQUIREMENT FOR 2004

Sacramento – The California Department of Water Resources (DWR) has filed its final 2004 Revenue Requirement with the California Public Utilities Commission. Based on the projected costs for 2004, electricity rates for customers are not expected to increase.

For calendar year 2004, the DWR expects to collect from customers \$4.517 billion for power and \$873 million for bond costs for a total of \$5.390 billion. Although overall cost is slightly higher in 2004 than in 2003, the average power charge per megawatt hour has been reduced by 13 percent from \$105 per megawatt hour in 2003 to \$91 per megawatt hour in 2004.

The Department's 2003 Revenue Requirement, following a \$1 billion reduction in revenues from customers, projected revenue collections from customers at \$3.311 billion for power and \$745 million for bond costs for a total of \$4.076 billion. The Department amended the 2003 Revenue Requirement in July 2003 to provide more than \$1 billion in ratepayer relief, the result of a one-time reduction in required reserves.

The Department's ability to reduce reserves was the result of the successful transition of power buying responsibilities from DWR to California's investor-owned utilities on Jan. 1, 2003. Earlier this month, the CPUC ordered refunds for customers based on the Department's reductions.

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The 2004 costs are slightly higher than in 2003 due in part to the Department supplying higher volumes of energy to customers than in previous years. In 2004, the department expects to supply 49 million megawatt hours for customers compared to 42.5 million megawatt hours in 2003.

The increase in volume is due in part to new power plants that have been built as a result of DWR's long-term contracts. A total of 33 new power plants have been built and have come on-line since 2001 producing nearly 4,100 megawatts of available power. Of that, nearly 2,550 megawatts have become operational during 2003 alone. An additional 3,300 megawatts of new power supplies is expected to come on-line within the next year.

The 2004 Revenue Requirement was filed late Thursday with the CPUC, following a public comment period. A proposed draft was released on July 17, 2003. DWR files a revenue requirement with the CPUC at least once a year.

The revenue requirement, which reimburses the Department's cost for energy purchases made on behalf of electric customers of California's three investor owned utilities, is based on a number of projections regarding power supplies, natural gas prices, off-system power sales, capacity reserves costs, conservation, and administrative and general expenses.

DWR, in response to the energy crisis, assumed and maintained the power-buying responsibilities from Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric from Jan. 17, 2001 through Dec. 31, 2002. During that period, DWR was successful at controlling runaway cost and stabilizing the overall electricity market, creating a more stable environment for utilities to reenter the power market. The utilities resumed the daily power purchasing responsibility on Jan. 1, 2003.

For a copy of the 2004 Final Revenue Requirement, visit the Department's California Energy Resources Scheduling division web site at www.cers.water.ca.gov.